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STATE FOR NEA/ARP, EEB/CBA, EEB/ESC/IEC/ENR
COMMERCE FOR ITA COBERG

E.O. 12958: N/A
TAGS: ECON EINV PREL MU
SUBJECT: MORE POWER ON THE HORIZON FOR OMAN

¶1. (U) This message contains sensitive business information. Please protect accordingly.

Summary

¶2. (SBU) Anticipated increases in Oman's power and water consumption will necessitate a concurrent increase in production capacity, according to projections from the Oman Power and Water Procurement Company (OPWP). The government intends to put out two tenders for the construction of power and water desalination plants in 2007. U.S.-based AES, already an investor in one power and water desalination plant in the Sultanate, is interested in expanding its presence. End Summary.

Let There Be Light (and Water)

¶3. (U) During a February 13 tour with the Ambassador, AES Plant Leader Ahmed al-Subhi noted that the OPWP had recently presented the industry its projected power and water needs for Oman's two main distribution systems, the Main Interconnected System and the Salalah System. OPWP predicted that power needs for the Main Interconnected System would grow 9% per year up until 2013, rising from 2544MW in 2006 to 4634MW in 2013. For the Salalah System, power needs are expected to grow from 232MW in 2006 to 567MW in 2013, an increase of 14% per year. The company forecasts that 1570MW of additional capacity will need to be brought on-line between the years 2009 and 2013.

¶4. (U) Water demand is projected to grow rapidly as well. OPWP anticipates that water needs will grow from 86 million cubic meters in 2006 to 221 million cubic meters in 2013. The company expects water demand to grow by 201,000 cubic meters per day from 2009 through 2013 -- 133,000 cubic meters per day for the Main Interconnected System, and 68,000 cubic meters per day from the Salalah System.

¶5. (U) To meet these needs, the government intends to issue tenders in 2007 for a 700MW power and 85,000 cubic meter water desalination facility at either Ghubra or Barka, and a 400MW power and 68,000 cubic meter water desalination facility to be located in Salalah. Future plans call for a 1000MW power facility to complement the new port development at Duqm.

AES Still Interested

¶6. (SBU) Econoff also discussed AES' October 2006 failed bid to construct another new power and water desalination plant in Barka, which included the acquisition of an existing power plant in Rusail. Nabeel Ijaz, AES Barka Plant Leader, noted that the Engineering, Procurement, and Construction (EPC) specialist that AES teamed up with submitted an extraordinarily high price for its services, which doomed AES' chances. Ijaz speculated that the EPC contractor wasn't particularly interested in working on the project, since it was concurrently bidding on a larger-sized project in Abu Dhabi. Since AES didn't catch on to this disinterest until deep into the bidding process, Ijaz noted that AES was not able to shift EPC contractors in such a tight construction market.

¶7. (SBU) Ijaz further commented that the tariff price offered by bid winner Suez Tractabel would have been very difficult to meet in any event, and stated that AES would not have been in a position to sacrifice on quality in order to produce a lower tariff rate. That being said, Ijaz stated that the bidding process appeared transparent, and that AES would closely look into participating in the upcoming projects in Salalah, Duqm, and either Ghubra or Barka.
GRAPPO